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Supreme Court of the United States

October Term, 1990

BAUSCH & LOMB INCORPORATED, a corporation,
Petitioner,

vs.

HEWLETT-PACKARD COMPANY, a corporation,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY TO THE OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI

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I. INTRODUCTION

HP's opposition strives to divert this Court's attention from the two questions presented by B&L on its petition, as it successfully diverted the attention of the courts below from those questions when B&L raised them. With their attention diverted by HP, the lower court decisions reached results which undermine the "intent to deceive" standard, that was intended to settle the inequitable conduct law, by introducing two dangerous new concepts: (i) that a person innocent of knowledge of errors in information that was submitted to the Patent and Trademark Office ("PTO") under a reasonable belief it was true could be found to have an intent to deceive, and (ii) that a corporation could be found to have had an intent to deceive despite the absence of that intent in the mind of any of its human agents. If not corrected by this Court on certiorari, this case returns the patent law of inequitable conduct to the unsettled state that has led the Federal Circuit itself to a cry of despair over the "plague" condition that this defense has achieved.

Since the questions raised by B&L are discussed more fully in Sections II and III of this reply, B&L will first respond to the other matters raised by HP's Opposition. HP has provided a slanted review of the facts, by mixing argument and the findings in seamless sentences, which presents a more negative view of B&L than Judge Aguilar did.[1] Many of the points

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[1] Two examples will suffice. HP asserts (Op. at 4) that "Jobe conducted no objective inquiry; he simply presented Fleming with B&L's conclusion of 'oversight,' and, in essence, asked Fleming how he could have made the tremendous blunder of omitting the claims covering the features that Bausch & Lomb ('B&L') sought to obtain in reissue. *Id.*, at A13-14." Neither at the cited page, nor elsewhere, did Judge Aguilar find that "Jobe conducted no objective inquiry." On pages 5-6 of its opposition, HP, while citing to Judge Aguilar's first opinion at A14-15, asserts that "[o]nce again, B&L turned to Fleming, this time through a telephone call from an in-house attorney, Howard Robbins, who eventually drafted a second affidavit (continued...)

which HP asserts in its review are irrelevant to whether B&L committed inequitable conduct in the PTO. For example, HP's discussion of how B&L found the Yeiser patent, why it purchased it, or what steps it took to design plotters comparable to HP's (Op. at 2-3), are simply efforts by HP to picture B&L in as sinister a light as it can and distract this Court from the very pressing issues that B&L has put before it. HP's concentration on B&L's reissue declaration, executed by More (Op. at 3-4), is a red herring because the declaration was not relied upon by the Examiner nor was it found that Mr. Bogdon and Mr. Hyer had any intent to deceive in forming B&L's belief, averred in the declaration, that "oversight" was the explanation for omission of narrower claims in the original patent (Pet. at 23-24). Instead, it is the events surrounding the two Fleming affidavits -- where the Federal Circuit placed the focus of the inequitable conduct inquiry -- that are central to the issues of validity and enforceability (A12).

Turning to Jobe and Robbins, the preparers of the Fleming affidavits, the backbone of HP's opposition is a compilation of findings from Judge Aguilar's first opinion critical of them (Op. at 6-10). In these findings, Jobe is criticized for accepting facts told to him by Fleming, a fellow member of the patent bar in good standing, without corroboration and for failing to ask Fleming if he kept notebooks. Robbins is criticized for accepting Fleming's statements without question and for not asking Fleming if he kept time records. Both of them were criticized for being "fastidiously careful not to ask crucial, almost painfully obvious questions about the original patent application." Judge Aguilar relied on these criticisms in his

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[1](...continued)
amplifying the fabricated allegations of the first." The sense conveyed by that sentence was that Robbins *knew* the averments of the Fleming affidavit were "fabricated" -- a fact never found by Judge Aguilar or by the Federal Circuit.

first opinion for "gross negligence" but they fall far short of an intent to mislead. There is no finding that either Jobe or Robbins knew of Fleming's errors.[2] There is no finding that Jobe or Robbins had his suspicions aroused concerning Fleming's veracity. Jobe and Robbins may have been less searching in their questions than a more experienced practitioner would have been, but gross negligence is different in kind from intending to deceive the Patent Examiner. *Importantly, Judge Aguilar, in denying HP attorney fees, found that B&L had not deliberately concealed or misrepresented the truth to the PTO (A105).*

Turning to HP's arguments, Part A of its argument (Op. at 13-20) merely reprises the lower court opinions, failing to show any point at which the lower courts treated the B&L defenses which form the basis of the questions presented on this petition. The only reason Part A of HP's argument advances for denying certiorari is that B&L failed to petition the Federal Circuit for rehearing *en banc*. (Op. at 13). B&L was entitled to make its own procedural decisions as to the most effective way to proceed and it has done so. HP cites no case law that bars seeking review by petition for certiorari to this Court unless the petitioner has petitioned below for reconsideration. HP's proposition is absurd on its face.

Part B of HP's argument is responded to in Sections II and III of this reply. In part C, HP chides B&L for being alarmed over the fact that Judge Aguilar not only concealed his son's employment from B&L during six years of litigation, but has also recently been convicted for obstruction of justice for doing favors for a distant relative by marriage. It is more than reasonable for B&L to question whether a judge, who has shown so much solicitousness for a distant relative as to risk his

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[2] Both of them believed that Mr. Fleming was describing the facts to them accurately (A117-122, A124-129).

office, might not be influenced by his own son's career with HP to favor HP's view on the intent of B&L's patent attorneys. Although neither B&L nor HP can claim neutrality in drawing inferences from these facts, it is undeniable that newspapers having no reason to favor either side saw the Judge's concealment of the relationship as troubling when the matter became public in 1988.[3] The new fact of his conviction for helping a relative could only raise the level of public concern regarding the impartiality of his decision. This ground for public concern made it vital that the Federal Circuit provide a reasoned opinion which addressed the two principal defenses relied on by B&L against an intent to deceive. The Federal Circuit's failure in this task adds to the importance of granting the petition for certiorari to maintain public confidence in the judiciary.

II. IT IS AN IMPORTANT QUESTION OF PATENT LAW WHETHER INTENT TO MISLEAD CAN BE FOUND IN AN APPLICANT WHO SUBMITTED FACTS TO THE PTO CONTAINING UNKNOWN ERRORS REASONABLY BELIEVING THEM TO BE TRUE

This petition raises questions which go to the heart of the most unsettled area of patent law, the intent required to render a patent unenforceable for inequitable conduct before the PTO, a defense so frequently litigated that the Federal Circuit has called it a "plague." According to HP, to the extent that the

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[3] Several press articles were triggered in 1988 by the spectacle of Judge Aguilar deciding a major patent case in favor of his son's employer. For example, Judge Aguilar's conflict in this case was reported under the following headlines: "Judge Won't Step Down In Hewlett Case, Even Though Son Works For Company," *Wall Street Journal*, August 3, 1988; "Impartial Judges: A Growing Issue," *New York Times*, August 8, 1988; "San Jose Judge Stirs Up A Storm," *San Francisco Chronicle*, September 6, 1988; and "Judge Faces Conflict Over His Son's Job," *The Recorder*, July 28, 1988.

law of inequitable conduct may have been in a chronic unsettled state, *Kingsdown Medical Consultants v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988), *cert. den.*, 490 U.S. 1067, 109 S. Ct. 2068 (1989), provided the cure (Op. at 15). The cure that *Kingsdown* provided was that it eliminated the boundaryless test of "gross negligence," which had provided six unsettled years of erratic inequitable conduct decisions, in favor of conduct requiring a finding of intent to deceive (Pet. 18-20). What HP ignores is that the Federal Circuit's decision in this case, by affirming Judge Aguilar's finding of intent to deceive, places the law back where it was before *Kingsdown* by permitting a finding of "intent to mislead" where there was no actual intent to deceive in any of the human minds involved. The Federal Circuit's decision, by affirming an "intent to mislead" *where no actual intent existed*, creates a fictitious "intent to mislead," which has boundaries as unclear as the "gross negligence" that the requirement for clear and convincing evidence of intent to deceive was intended to improve upon.

Nor is the Federal Circuit's holding in *Kingsdown* its only holding which this case unsettles. It was impossible for Jobe or Robbins to disclose that there were errors in Fleming's affidavits which were unknown to either of them. As B&L noted in its petition, the Federal Circuit held in *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987),

> "Applicant must be chargeable with knowledge of the existence of the prior art or information, for it is impossible to disclose the unknown."

The present decision violently disturbs the law relating to inequitable conduct which *Kingsdown* and *FMC v. Manitowoc* were intended to settle.

Instead, for B&L's attorneys to have advanced from gross negligence to intent to mislead, there should have been some facts evidencing that intent beyond the same facts relied on for

gross negligence.[4] On the remand, no new evidence was introduced and no new findings were made to support the single new finding of intent to mislead. To try to show culpability sufficient to take this case beyond gross negligence, HP relies on the trial court's finding of "studied ignorance" and "reckless indifference" -- but these are no more than findings on which Judge Aguilar originally relied for gross negligence and despite which he found, on the same day he entered them, that B&L had not deliberately concealed or misrepresented facts to the Patent Examiner (A105). To bolster its case, HP grossly distorts B&L's position, asserting that "Bausch & Lomb recognizes that Federal Circuit precedent holds that an intent to deceive may be found when an applicant 'cultivates' ignorance of material information." (HP Op. 22.) HP's assertion is *directly opposite* to the actual position which B&L has taken in its petition.[5] There is no case which has ever found intent to deceive on the basis that an applicant "should have known" of facts of which it was truly ignorant. To the contrary, the cases recited in footnote 6 of *FMC v. Hennessy* for support of a "should have known" standard only involved applicants who "should have known" of the *materiality* of facts actually known to them, not one that "should have known" of

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[4] HP agrees with B&L in citing the Federal Circuit's holding in *Halliburton Co. v. Schlumberger Technology Corp.*, 925 F.2d 1435, 1443 (Fed. Cir. 1991), that "[g]ross negligence cannot elevate itself by its figurative boot-straps to an intent to mislead based on the identical factors used to establish gross negligence in the first instance unless all the facts and circumstances indicate sufficient culpability." (Op. at 22.)

[5] Concerning the interpretation of footnote 6 in *FMC Corp. v. Hennessy Industries, Inc.*, 836 F.2d 521 (Fed. Cir. 1987), B&L has previously pointed out "[t]hat footnote described the 'should have known' factor in the context of the gross negligence standard for inequitable conduct prevailing at the time of *FMC Corp. v. Hennessy Industries, supra. FMC v. Hennessy did not hold that a 'should have known' factor could establish by clear and convincing evidence the mental state of intent to deceive.*" (B&L Pet. at 17, emphasis added.)

unknown facts. Even then, the discussion in *FMC v. Hennessy* was only for gross negligence, not intent to deceive.

Even if there was legal support for concluding intent to deceive on the basis that an applicant "should have known" of unknown facts (which there is not), there is no factual basis for HP to claim that Jobe or Robbins "should have known" that Mr. Fleming was mistaken in his recollection. Jobe and Robbins each found him lucid and well focussed in his recollection and believed him (A119, A127-128). Neither of them had any reason for suspicion. They had a reasonable basis for their belief since they knew that Mr. Fleming, as a fellow practitioner, was bound like themselves by the duty of disclosure to the PTO under 35 C.F.R. § 1.56, to disclose facts accurately to them for filing in an affidavit in the PTO. Neither the lower courts nor HP have ever cited any statute, rule or case law that holds that a submitter of a reissue declaration obtained from the former patent attorney of an inventor must obtain independent corroboration. The result reached in this case is utterly impossible to justify under the law or on the facts.

In sum, HP has failed to overcome B&L's showing that its first question presented raises an important question of federal law which should be settled by this Court on certiorari.

III. IT IS AN IMPORTANT QUESTION OF PATENT LAW WHETHER INTENT TO DECEIVE CAN BE FOUND IN A CORPORATION BASED UPON IMPLICIT ATTRIBUTION OF A COLLECTIVE INTENT TO ITS HUMAN AGENTS

In the only two paragraphs of its opposition directed to B&L's second question, HP baldly asserts that it is not necessary that "individual employees of Bausch & Lomb be examined separately to determine precisely what level of intent to deceive might be attributed to any or all of them" and that

the trial court's finding that B&L acted "through its officers, employees and/or agents" to maintain an intent to deceive was sufficient (Op. at 23-24). HP ignores without mention the precedents cited by B&L in its petition establishing that (i) a corporation cannot have a mental state of any kind including the intent to defraud and (ii) the collective imputation of intent to deceive to individuals has been rejected by the Federal Circuit. The disregard of these basic principles by the courts below without mention cries out for this Court's review.

HP cannot deny that a corporation, being an artificial person, lacks the essential attribute to form an intent: a human mind. In *Louisiana Power and Light Co. v. United Gas Pipe Line Co.*, 642 F. Supp. 781 (E.D. La. 1986), cited in B&L's petition (at p. 20), the law is correctly stated, with supporting authorities, as follows:

> "This is a correct statement of the law: a corporation, being a de jure person, cannot by itself have a mental state of any kind, including the intent to defraud. For this reason, it can only have, and be liable for, the mental state of its various employees, when they act within the authority given to them." (*Id.* at p. 803)

There is no evidence that Mr. Hyer or Mr. Bogdon or Mr. Jobe or Mr. Robbins ever had an intent to deceive. To the contrary, Judge Aguilar found that there was no deliberate misrepresentation or concealment of facts to the PTO by B&L (A105). Thus, there was no human mind possessing the required mental state of intent to deceive to provide a basis for attributing intent to deceive to the corporation. HP has not distinguished the authorities relied on by B&L or contested its reasoning.

HP's only argument for corporate intent, that individual employees of Bausch & Lomb should not be examined separately (Op. at 23), introduces the profoundly unsettling concept of collective imputation of intent to a group in lieu of

determination of intent of the individuals involved. As B&L has already described (Pet. at 21), collective imputation of intent to deceive has been rejected by the Federal Circuit in *FMC Corp. v. Hennessy Industries, Inc.*, *supra*, and *RCA Corp. v. Data General Corp.*, 887 F.2d 1056 (Fed. Cir. 1989). HP has not disagreed with the authorities relied on by B&L or presented reasoning to justify imputing a collective intent to deceive.

B&L has also pointed out that it is a supporting reason against collective imputation of intent to deceive that the consequences for any individually innocent patent attorneys within the stigmatized group are devastating (Pet. at 22). A decision of the Federal Circuit affirming intent to deceive lays waste the reputation of the attorneys implicated in that holding. As B&L pointed out, further consequences can include suspension from practice by the PTO for violation of Rule 56 (Pet. at 22). HP callously and unrealistically suggests that subsequent PTO disciplinary proceedings are a panacea (Op. at 24 n. 10). That is not true. Proceedings of the PTO Disciplinary Board do not gain the wide attention in the patent profession that attaches to published decisions of the Federal Circuit. Moreover, the Board's proceedings may not be initiated against all the attorneys, may not be published, or may be resolved without opinion, leaving individually innocent attorneys publicly besmirched with no means to rehabilitate their reputation. To protect innocent individuals where intent to deceive is to be found in a corporation, intent to deceive must be found in the human who possessed it before the intent can be attributed to the corporation. Such a result conforms with the law of agency and with the prior precedents of the Federal Circuit condemning collective attribution of intent to mislead.

The Federal Circuit's affirmance of Judge Aguilar's holding that a corporation may be found to have intended to deceive the PTO despite the absence of an intent to deceive in any of its human agents returns the inequitable conduct patent law to

the uncertain and confused state that *Kingsdown* was intended to cure. Grant of certiorari by this Court is essential to provide an opportunity for correction.

IV. CONCLUSION

For the reasons expressed, B&L respectfully asks this Court to grant its petition.

Respectfully submitted,

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